

Central Intelligence Agency



# DIRECTORATE OF INTELLIGENCE

### NOVEMBER 1984

CENTRAL AMERICAN MONTHLY REPORT #15	25 <b>X</b> ′
PERSPECTIVE	
The Sandinistas made few gains in the national elections held on 4 November and have since demonstrated that they intend to hold fast to their political control. Pre-election pressure tactics and manipulation of the electorate produced a sizeable voter turnout, but the regime failed to achieve its goal of international legitimacy. The US Embassy in Managua reports that	25X1
members of Sandinista Defense Committees were out in force on 3 November in a door-to-door campaign to get out the vote.	20/1
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the	
military stuffed ballot boxes in some remote northern areas where insurgent activity precluded US Embassy or international monitoring. Although the Sandinistas received 67 percent of the valid votes, they had previously stated that they would garner some 80 to 90 percent. Moreover, the US Embassy and some Western observers questioned the regime's claim of an 82 percent turnout. Nevertheless, the Sandinistas swiftly touted the "success" of their election.	<b>25X</b> 1
This memorandum was prepared by the Central America North and South Branches, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 1 December 1984. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA	25X1 25X <sup>2</sup>
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Few nations chose to send official observers, and international reaction to the elections has been mixed. Western European leaders privately expressed disappointment with the regime's pre-election tactics, including harassment of the opposition, and admitted that voting alone did not ensure democracy, according to Embassy reporting. Although French Foreign Minister Cheysson publicly praised the high turnout and correctness of the voting procedures, French officials told the Embassy in Paris that his statement was one-sided and did not reflect the shortcomings of the process. Similarly, the Spanish Foreign Ministry privately expressed skepticism and disappointment, according to the US Embassy. In fact, many international statements welcomed the holding of elections but mentioned with regret that the conditions for full opposition participation did not exist. Although the European Democratic Union chastised the regime, such direct criticism was minimal. The Socialist International reacted for the most part favorably, calling for continued economic support but urging the regime to pursue a pluralistic path through dialogue with the opposition.

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The regime immediately took advantage of the diversion created by the MiG delivery incident to preclude closer scrutiny of the electoral process.

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The Sandinistas have also continued to coopt and manipulate the opposition while attempting to maintain an appearance of flexibility. For example, the national dialogue, which many international leaders had pointed to as a hope for future pluralism in Nicaragua, has been controlled by the regime. It has dictated the procedural aspects, stacked the participants with Sandinista-backed mass organizations, and diverted the focus of discussion from substantive issues. Alleging the threat of an US invasion in mid-November, the Sandinistas turned the dialogue into a forum for condemnation of the US. By month's end, the talks stalled and were suspended by mutual consent. In an attempt to preserve its claims to flexibility, however, the regime announced that it would continue to seek opposition input through a series of "public forums."

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Nevertheless, the regime's claims are betrayed by its recent crackdown on the opposition. Declaring an invasion alert over the MiG incident, the regime increased censorship of La Prensa, reinstituted censorship of Archbishop Obando y Bravo's homilies, prohibited opposition leaders from traveling abroad, and became more threatening in its denunciation of opponents. Some members of the opposition complained to the US Embassy that the high level of tension between the US and Nicaragua could jeopardize their safety, and one coalition party issued a statement criticizing both sides for the deterioration in bilateral relations.

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The Sandinistas' dominance of the political scene is being facilitated by disarray within the non-Marxist political opposition. According to US Embassy sources, the opposition coalition late last month was divided over participation in the national dialogue and planned to focus on strategy and leadership in early December. The two opposition parties outside the coalition are still suffering the strains of their attempted withdrawal in late October from the elections. The US Embassy reports that members who favored withdrawal say they will not assume their assembly seats, and the Sandinistas will probably encourage pro-Sandinista factions within these parties to take any vacated ones, enabling them to point to any opposition votes in their favor as evidence of Nicaraguan democracy.

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#### **NICARAGUA**

### Military

Following the imposition of the nationwide alert on 11 November, the Sandinistas deployed T-54/55 medium tanks and other armored vehicles in an unprecedented show of force throughout the Managua area. Some 20,000 youths who were to have participated in the upcoming coffee harvest were ordered instead to militia units for the capital's defense, although the US Embassy notes the Sandinistas acknowledged only 2,000 had actually been involved.

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despite their assertions of an imminent US invasion, the Sandinistas did not shift any major ground force units or take any other extraordinary measures commensurate with a valid invasion threat.

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Insurgents of the Nicaraguan Democratic Force (FDN) fought Sandinista units throughout northern Nicaragua, including areas southwest of Esteli. In the north, the insurgents increasingly

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warfare batts with hardpres	elements of at least four Sandinista irregular alions that have begun operating on a regular basis ssed militia units in the departments of Nueva	
	madriz near the Honduran border.  the rebels inflicted serious casualties troops in a series of ambushes in mid-November	
Front, led by	belonging to Misura and the Sandino Revolutionary y Eden Pastora, generally maintained a low level of though both groups were involved in a few significant	
encounters.	Misura forces	
encounters. killed over	Misura forces several score Puerto Cabezas-based troops in early n they tried to reach the scene of a previous	
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Economic	25 <b>X</b> 1
Vice Minister of Interior Carrion's trip in October to Libya resulted in a donation of \$14 million worth of oil,	
Managua also continues to seek additional Communist aid. At the recent CEMA meeting, Nicaragua requested \$2 billion in economic assistance over the next five years, enough to offset virtually all of the country's annual trade deficit, but we doubt the request will be met in full. Late in the month, Minister of Planning Henry Ruiz departed for East Germany and the Soviet Union to hold further discussions on	25X1
trade and economic cooperation.	25>
The forthcoming harvests promise little relief for the government's financial troubles, because the regime reportedly has already sold the crops on the futures market and spent most of the proceeds. Indeed, the Sandinistas may have to refund some of the money if crop yields fall below promised commitments. Anti-Sandinista rebel activity is also damaging export	25X1
prospects.	25 <b>X</b> 1
	0.57
the Vice Minister of Industry claims that the insurgents' destruction of a sawmill near the Atlantic coast earlier this year interfered	25)
Substantia May with hardwood exports, which last year earned Nicaragua \$1-3 million.	25>
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### **EL SALVADOR**

## Political

President Duarte's immediate denunciation of insurgent demands made at the 30 November dialogue session was designed to underscore government unanimity and to reassure the military, which has grown increasingly uneasy with the talks. Although Duarte has indicated willingness to continue the dialogue, the guerrillas' hardline demands for powersharing and restructuring the military probably will reinforce the skepticism of some of his constituents. The joint communique contained only agreement

on procedures for forming a mixed commission, allowing free civilian transit from 22 December to 3 January, and continuing	
the talks at a later date.	25 <b>X</b>
Preparations for the dialogue in November underscored problems for the government that are likely to surface again prior to the next session. Senior military officers reportedly were opposed to the insurgent proposed cease-fire because it would give the rebels time to resupply and consolidate their	
position. however, most officers grudgingly agreed to accept it after President Duarte argued that a government refusal would result in recriminations against the military. The commanders reportedly stipulated that the the cease-fire be subject to certain	25X <sup>-</sup>
conditionsincluding a ban on all guerrilla operations against economic targets and the insurgents' recognition of the government's right to conduct actions to maintain order	25X1
most military leaders remain suspicious of any cessation of hostilities, and Duarte may not insist on an early cease-fire to	25X1
avoid a confrontation with the military.	25X <sup>2</sup>
The guerrillas also remain leery of making commitments that might alienate their hardline military colleagues. Insurgent spokesmen are aware that any agreement short of powersharing is likely to be rejected by rebel military leaders. Nevertheless, these same leaders probably would support a temporary cease-fire because it would give them time to regroup and resupply, and possibly halt the Army's momentum.	25X
Meanwhile, extreme rightists reportedly will attempt to broaden any amnesty proposal to include rightwing terrorists,	•
They probably calculate that a, broad amnesty proposal will be rejected by the guerrillas and thereby contribute to a breakdown of the talks. Rightist deputies in the Assembly may be able to gather enough votes from moderates to block any legislation that does not	25X
appear to be balanced. Military	25X <sup>-</sup>
Military activity was highlighted by a large-scale insurgent assault on Suchitoto on 9 November. Some 400 to 500 guerrillas may have participated in the attack, with perhaps an equal number in positions to ambush Army reinforcements. Swift Army and Air Force reaction, combined with the efforts of local defense forces, prevented the insurgents from scoring a success. The US	A
Embassy	25 <b>X</b> 1
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### Economic

President Duarte has outlined his plans to US officials in El Salvador to ease his country's balance of payments problems

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and curb the fiscal deficit. He intends to move an additional 15 percent—for a total of 40 percent—of import and export transactions to the parallel foreign exchange market by March, with the goal of unifying the dual exchange rate by the end of 1985. To control the fiscal deficit, Duarte probably will submit a revised budget in April asking for additional taxes, although he also will likely ask for increased military spending. Although efforts to reduce the deficit and establish realistic exchange rates meet requirements for continued US aid disbursements, we doubt Duarte will implement them vigorously, particularly the exchange reform, which he believes will harm the poor and working class.

**GUATEMALA** 

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### Political

The Constituent Assembly completed a working-level draft of the new constitution in November, but the US Embassy reports that the 224 articles sidestep the Belize border dispute and many other controversial issues. Nevertheless, the document established some important limitations on the military's role, including a requirement that presidential candidates be retired from the armed forces for at least five years prior to an election. In an apparent effort, however, to assauge concern within the military that its prerogatives might be jeopardized under a civilian-led government, the Assembly also specified that the Minister of Defense be a senior military officer. The Army has long viewed the Defense post as key to its continued control over the counterinsurgency program, and this action suggests that the Assembly is working closely with military leaders to ensure the acceptability of the new constitution to the officer corps.

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## Military

The Army maintained its advantage over the insurgents throughout November, with the guerrillas confining themselves to sporadic ambushes and other small-scale actions. Nevertheless, logistical problems continued to hamper the overall counterinsurgency effort.

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Economic		
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The strong nationalistic reaction to the aborted coup plot in early November has strengthened President Suazo's ability to keep political opponents on the defensive as Honduras prepares for next year's general elections. Although most government officials have toned down their previous allegations that domestic critics supported the plot some 100 politicians, military officers, and businessmen have been interrogated or arrested. Leaders of the opposition National Party have told the US Embassy they fear Suazo may use the coup plot as an excuse to increase efforts to divide the party, and leftists—including some of Suazo's own Liberal Party—are warning of possible retribution against alleged plotters. Meanwhile, former armed forces chief Alvarez, whom some senior Honduran officials originally linked to the plot, has been ordered to return from exile in Miami to face corruption charges. The ongoing investigation into a possible military role in the conspiracy is likely to aggravate divisions within the armed forces, but we do not believe any faction is likely to move against the current military leadership at this time.  Military  the Honduran Cerro La Mole radar site—some 25 miles from the Nicaraguan border—reported visual and radar contact with numerous unidentified helicopters entering Honduras from Nicaraguan airspace on seven nights in November. An eyewitness report indicated the aircraft had three spotlights, characteristic of the Soviet—made MI-8s in the Nicaraguan inventory. No friendly forces were reported to be in the area at the time,		
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### Economic

The IMF has raised its growth projection for real GDP to nearly 3 percent in 1984. The higher growth, however, is due to temporary factors that are not expected to be repeated in 1985, such as construction of a major hydroelectric project. Longer term prospects are less optimistic, with the Fund projecting zero growth over the next five years if the government fails to adjust its economic policies. Despite such negative indicators, Honduran officials have been heartened by the current growth rate, which apparently has reduced the urgency of their coming to terms with the IMF. It led them recently to reject the Fund's principal conditions—devaluing the lempira and raising taxes. The IMF is likely to be further concerned by the government's recently approved 1985 budget, which raises spending by 22 percent without imposing new taxes.

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#### COSTA RICA

### <u>Political</u>

According to US Embassy officials in San Jose, the Penas Blancas border post--site of last month's border incidents between Costa Rica and Nicaragua--is quiet once again. Costa Rican border guardsmen recently told a US Embassy official that the unusually heavy build-up of Nicaraguan personnel and equipment has diminished and that the Sandinista presence is back to normal.

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Meanwhile, the status and presence of anti-Sandinistas in Costa Rica is of growing concern to the Monge government. Early in the month, anti-Sandinista political leader Alfonso Robelo suffered minor injuries from a bomb attack in San Jose--the fourth such assassination attempt on insurgent leaders based in Costa Rica. Additionally, according to the US Embassy, Costa Rican officials are increasingly nervous about a possible influx of Nicaraguan refugees, particularly anti-Sandinista insurgents linked to Eden Pastora. Press accounts, however, state that only 25 of Pastora's insurgents have asked for refugee status in recent weeks. Meanwhile, United Nations officials have told the US Embassy they have contingency plans to accommodate additional refugees in already-burdened Costa Rica.

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### Economic

After nearly a year of stalled negotiations, the Costa Rican Government and the IMF have accepted terms for an agreement to be signed in December. According to press reports, the IMF will

provide Costa Rica a standby credit of at least \$60 million. Key to the agreement is a series of price hikes aimed at raising revenues and reducing the country's swollen public sector deficit. Labor leaders, who in the past have vigorously opposed price increases, are likely to protest.

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#### **PANAMA**

### Political/Economic

During only his second month in office, President Barletta grossly miscalculated support for fiscal austerity by persuading the outgoing Legislative Assembly to enact several controversial fiscal emergency measures, including a sizeable tax on services and a freeze on government wages. He neglected to prepare the public sufficiently for the measures and apparently acted without collaboration outside a small circle of advisers. Opposition groups objected strenuously to the legislation on grounds that it had not resulted from a broad consensus and that the private sector was expected to bear the financial burden resulting from government mismanagement and military corruption. Business, professional, and labor organizations threatened a general strike and protest demonstrations.

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Following negotiations with his critics, Barletta agreed to replace the unpopular legislation with less drastic measures that would be drafted by a coalition of business and government leaders. Although the compromise defused most strike activity, opposition groups assembled some 100,000 demostrators in Panama City on 27 November to protest government overspending and military corruption. Although Barletta will have to move cautiously to prevent a confrontation among government, business, and military sectors, he is also under pressure to implement economic measures that will permit Panama to pay—in the first six weeks of 1985—\$100 million of the \$700 million it is seeking to refinance over the next two years.

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In another initiative announced earlier in the month, Barletta established a National Security and Defense Council, ostensibly to coordinate civilian and military national security policy matters. The Council also is to review government programs to insure that they contribute to the maintenance of national security.

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Defense Forces Chief Noriega was instrumental in creating the body to give the military a more formal role in the new civilian government.

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### REGIONAL PRACE NEGOTIATIONS

The Vice Foreign Ministers of the four Contadora countries met in Panama City on 2 November to consider proposals by Costa Rica, Honduras, and El Salvador for changes in the draft treaty of 7 September. According to US State Department reporting, the Vice Minsters wer? receptive to only a few revisions. For example, they did not rule out making the Contadora nations the guarantors of the treaty, rather than allowing any interested nation to sign the separate implementing treaty. On the other hand, they categorically rejected most of the proposals, including those that would:

- -- Permit the anti-Sandinista insurgents to continue operating until final negotiations are completed.
- -- Authorize foreign military exercises under certain restrictions.
- -- Allow negotiations of a calendar for dismantling foreign military bases, rather than require dismantling within six months after the agreement is signed.
- -- Provide for enforcement based on "consensus"--rather than unanimity--of the five Central American Foreign Ministers.

The Contadora Group is not yet ready to respond formally to the three Central American countries, according to diplomatic reporting. The Contadora representatives want to make sure they have bridged differences between Nicaragua and the Core Four before presenting a revised draft of the treaty.

Mexico remains the most strongly opposed to alterations in the 7 September draft, according to US Embassy reporting. Mexico's hard line apparently was in part responsible for Guatemala's refusal to endorse the changes suggested by the other Core Four countries. the Guatemalan Government has taken a neutra

the Guatemalan Government has taken a neutral stance on the treaty to strengthen relations with Mexico City and thereby resolve the Guatemalan refugee problem in southern Mexico.

the Guatemalans—believing they have scored points with the Mexicans—now may support the proposed treaty revisions in hopes of attracting US economic and military assistance.

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# KEY NICARAGUAN TRAVELS/VISITS

		25X1
29 Oct	Sandinista Directorate member and Planning Minister Ruiz attends CEMA meeting in Havana.	25X1
1 Nov	Culture Minister Cardenal speaks to authors' conference in Bulgaria on "aggression" against Nicaragua.	25 <b>X</b> 1
1-3 Nov	Sandinista Directorate member Tirado meets various foreign leaders in Algiers at ceremonies commemorating the thirtieth anniversary of the Algerian revolution.	25X1
		25X1
14 Nov	Hungarian delegation headed by Irme Pozsgay, member of the Central Committee of the Hungarian Socialist Workers Party, meets with government and opposition leaders in Managua.	25X1
19 Nov- 1 Dec	Planning Minister Ruiz travels to for East Germany for meeting of bilateral commission on economic cooperation; later signs trade agreement in Moscow. He subsequently traveled to Poland for discussions on economic topics.)	″ 25X1
		25X1
23 Nov	Culture Minister Cardenal represents Nicaragua at a Buenos Aires rally sponsored by the Argentine Government.	

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	EVENTS IN CENTRAL	AMERICA DURING	DECEMBER	
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Official visit be invitation of Pr	oy Guatemalan Pres resident Monge to	sident Mejia to ( discuss commerci	Costa Rica at ial relations.	
7				
Salvadoran Presi Caribbean and Ce	ident Duarte addre entral America.	esses Miami Confe	erence on the	
10-11				
Tanadi Danaia		.i.i.i.i.		
israeli roreign	Minister Shamir v	visits Panama.		

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13-15

Costa Rican President Monge travels to Panama to discuss frontier zone development with President Barletta.

14

Colombian President Betancur visits Guatemala.

14

National elections held in Belize.

17-18

Panamanian Foreign Minister Cardoze travels to Washington to discuss bilateral relations.

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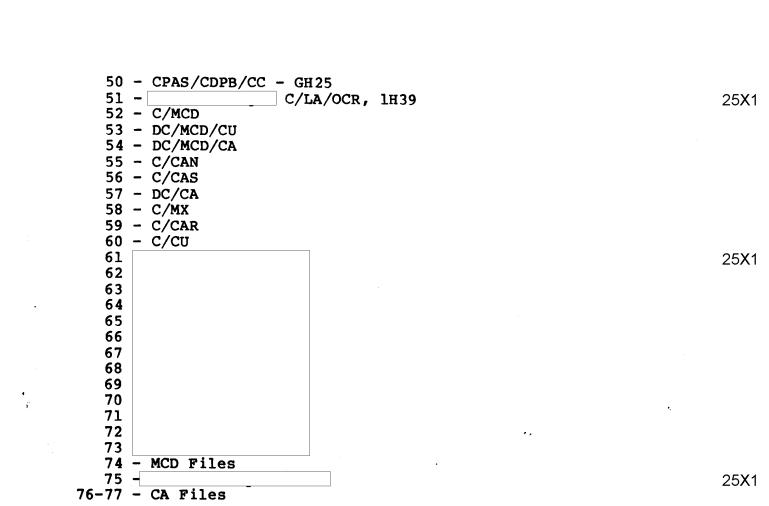
Nicaraguan Justice Minister Castillo attends eighth conference of justice ministers from socialist states in Havana.

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     29 - Director, Legislative Liaison - 7D43
     30 - Legislative Liaison - 7B04
                                                                         25X1
     31 - DDI Rep CINCLANT
     32 - PDB Staff - 7F30
33 & 34 - D/ALA - 3F45
     35 - C/DDO/LA - 3C3203
     36 - DDO/LA/
                                                                         25X1
     37 - C/DDO/LA/
                                                                         25X1
     38 - C/DDO/LA/
                                                                         25X1
     39 - C/LA
                                                                         25X1
     40 -
                          - 3D00
                                                                         25X1
     41 -
                          GH62
42 & 43 - ALA/PS - 3F38
     44 - ALA Research Director - 3F44
45 - 48 - CPAS/IMC/CB - 7G07
     49 - DDI/CPAS/ISS - 7G40
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DDI/ALA/MCD/CAS



